Annual Report 2011

GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED

بسم الله الرحمن الرحيم

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Neil Douglas James Gray (Chairman) Mr. Khawar Anwar Khawaja (Chief Executive) Mr. Khurram Anwar Khawaja Mr. Muhammad Tahir Butt Mr. Nicholas John Gray Mr. Ameer Khawar Khawaja Mr. Paul Douglas Gray Mr. Sarfraz Mahmood (Alternate to Mr. Neil Douglas James Gray)
AUDIT COMMITTEE	Mr. Paul Douglas Gray Mr. Muhammad Tahir Butt Mr. Ameer Khawar Khawaja
CORPORATE SECRETARY/CFO	Muhammad Ashraf Butt
AUDITORS	Tabussum Saleem & Company Chartered Accountants S-8, Ahmed Arcade, 161-Ferozepur Road, Lahore. Phone: (042) 37587323 37569904 Fax: (042) 37503256 E-mail: matabussum@yahoo.com
REGISTERED OFFICE AND WORKS	Small Industries Estate, Sialkot 4, Pakistan Phone: (052) 3555338 3563051-52 Fax: (052) 3551252 3553609 E-mail: info@grayspak.com
SHARE REGISTRARS	Hassan Farooq Associates (Pvt.) Ltd. HF House, 7-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore. Phone: (042) 35761661-2 Fax: (042) 35760521 E-mail: hfco@hfco.com.pk

ASSOCIATED COMPANIES

In Pakistan

Grays Leasing Limited
Head Office:
701-A, 7th Floor, City Towers
7K Gulberg II, Lahore
Tel: (042) 5770382-7
Fax: (042) 5770389
E-mail: gll@ms.net.pk

Liaison Offices:

Small Industries Estate,
Shahabpur Road, Sialkot
Tel: (052) 3554531
Fax: (052) 3551252
E-mail: grays@cyber.net.pk

15-A, Al Mubashar Apartment
Block – 13-C, Gulshan-e-Iqbal
Karachi
Tele: (021) 34293974
Fax: (021) 34965085

Anwar Khawaja Industries (Private) Limited
Small Industrial Estate, Sialkot 51310
Tel: (052) 3551004, 3554531, 3554535
Fax: (052) 3553609

Overseas

Grays of Cambridge (International) Limited
Station Road, Robertsbridge
East Sussex TN32 5DH, ENGLAND
Tel: 01580 880357
Fax: 01580 881156

Gray - Nicolls
Station Road, Robertsbridge
East Sussex TN32 5DH, ENGLAND

Gray - Nicolls Sports Pty. Limited
45 Wangara Road
Cheltenham Victoria 3192
Australia
Tel: +61 3 8541 9999

VISION

GRAYS is the Internationals' First Choices; and we continuously strive to maintain this edge through building a sustainable relationship with them all over the globe by establishing and maintaining a strong production and marketing network with a team of adroit, enchanting, and skillful craftsmen and experienced professionals. We aim at the best of our Customer's Satisfaction. We also aim at a sustainable growth to ensure our company's prosperous future & healthy returns to all our stakeholders.

MISSION

To endeavour consistently to be a dynamic, profitable and growth oriented company through excellence in all spheres of business activities optimizing value for our associates and shareholders.

To seek a high standard of performance and to strive for a long-term leadership position through operating efficiency and dedicated service to customers in a competitive environment.

To be an exemplary corporate citizen maintaining high moral standards and fulfilling its social responsibilities. *GRAYS* firmly believes in behavioral conformance.

To create further opportunities for employees at all levels so that they become a real team of dedicated workers and professionals who are rewarded according to their ability and performance; honesty, integrity and talent are the only pre-requisites.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 48th Annual General Meeting of the members of **Grays of Cambridge (Pakistan) Limited** will be held at its Registered Office, Small Industries Estate, Sialkot on Friday, the 14 October 2011 at 11:30 a.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last meeting.

2. To receive, consider and adopt Audited Accounts of the Company for the year ended 30 June 2011 together with the Auditors' and Directors' Reports thereon.

3. To approve the payment of final cash dividend @ Rs. 1.00 per share (10%) for the year ended 30 June 2011 as recommended by the Directors.

4. To appoint auditors and fix their remuneration for the year ending 30 June 2012. The present auditor Messrs Tabussum Saleem & Company, Chartered Accountants, Lahore, being eligible, offer themselves for reappointment.

5. To elect seven Directors of the Company in accordance with the provisions of section 178 of the Companies Ordinance, 1984 for a period of three years commencing from 14 October 2011. The Directors of the Company under section 178(1) of the Companies Ordinance, 1984, have fixed the number of elected Directors as seven. The following retiring directors are eligible for re-election:

Mr. Neil Douglas James Gray	Mr. Khawar Anwar Khawaja
Mr. Khurram Anwar Khawaja	Mr. Muhammad Tahir Butt
Mr. Nicholas John Gray	Mr. Ameer Khawar Khawaja
Mr. Paul Douglas Gray	

General Business:

6. To transact any other business with the permission of the Chair.

By Order of the Board

(Muhammad Ashraf Butt)
Company Secretary

Sialkot: **23 September 2011**

Notes:

The Share Transfer Books of the Company shall remain closed from 07 October 2011 to 14 October 2011 (both days inclusive). Transfers received in order at Company's Share Registrar Office, Hassan Farooq Associates (Pvt.) Ltd. HF House, 7-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore by the close of business on 06 October 2011 will be considered in time.

1. In terms of Section 178(3) of the Companies Ordinance, 1984 (the "Ordinance"), any person seeking to contest the election of the office of Director shall, whether he/she is a retiring Director or otherwise:
   a. file at the Registered Office of the Company, not later than 14 days before the date of the meeting, a notice of his/her intension to offer himself/herself for election as a Director together with consent on Form 28 as prescribed by the Ordinance; and
   b. a declaration with consent to act as director in the prescribed form under Clause (ii) of the Code of Corporate Governance to the effect that he/she is aware of duties and powers of directors under the Companies Ordinance, 1984, the Memorandum and Article of Association of the Company and the listing regulations of the Stock Exchange in Pakistan and has read the provisions contained therein.
   c. a declaration in terms of clause (iii) and (iv) of the Code of Corporate Governance to the effect that;
      i. He/She is not serving as a director of more than ten other listed companies.
      ii. His/Her name is borne in the register of national tax payers (except where he/she is not a non-resident).
      iii. He/She has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution.
      iv. He/She and his/her spouse are not engaged in the business of stock brokerage.

2. A member entitled to attend and vote at the Annual General Meeting is entitled to cast his / her vote by proxy. Proxies must be deposited at the Company's Registered Office not later than 48 hours before the time for holding the meeting.

3. Individual beneficial owners of CDC entitled to attend and vote at this meeting must bring his / her participant ID and account / sub-account number along with original CNIC or passport to authenticate his / her identity.
   In case of Corporate entity, resolution of Board of Directors / power of attorney with specimen signature of nominees shall be produced (unless provided earlier) at the time of meeting.

4. For appointing proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account / sub-account number together with attested copy of their CNIC or passport. The Proxy Form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The Proxy shall produce his / her original CNIC or passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/power of Attorney with the specimen signature shall be submitted (unless submitted earlier) along with the proxy form.

5. Members are requested to notify change in their address, if any, immediately.

COMPANY PROFILE

INDUSTRIAL PROFILE

Grays of Cambridge (Pakistan) Limited was incorporated in Pakistan on June 02,1964 to incarnate a strong yearn of Late Anwar Khawaja, the first Managing Director of the Company, of making the WORLD'S BEST hockey stick in collaboration with Messrs H.J. Gray & Sons of Cambridge, England [presently named as “Grays of Cambridge (International) Limited” under an agreement made and signed in1963.

The formal inauguration of this Pak-British joint enterprise was held on May 08, 1965 although the unit commenced its commercial production on April 01, 1965 under the elite supervision of an English technician, Mr. D. Fosket who had actually made hockey sticks with his own hands for more than half a century. This great expert gave training to Pakistani workers and carved them into a team of adroit and enchanting craftsmen by inculcating them with all his expertise, elegance and excellence.

During 1983, while the company continued progressively conventional hockey sticks (around 90,000 sticks a year), the management acquired technical know-how from Mr.Toon Coolen of Netherlands and started making a Novelty Stick with a U-Shaped head approved by the Rules Committee of the International Hockey Federation. By virtue of this blending mechanization with the skills of the local craftsmen, the hockey sticks produced by this unit have met with a global acceptance as the best ever-made and the venture proved to be an International success. The fact that the first mark of 17,590 hockey sticks produced and exported during 1965 has culminated to its present volume of more than hundred thousand sticks a year has evidently placed GRAYS PAKISTAN fairly and squarely on the World Hockey Map.

Equally important was the year 1973 which also witnessed expansion in Company's Product Line. A Cricket Ball manufacturing unit was established to produce balls with the World's most famous brand names “DUKE & SONS” and “GRAY-NICOLLS”. This unit has also shown a tremendous growth as evidenced by rising production of completely hand-sewn cricket balls from a few thousand in its first year of inception to more than hundred thousand a year at present. These balls are being used in first class as well as the Test Cricket in Pakistan and abroad.

The company has a global net work of marketing agents as well as a full fledged quality control wing consisting of onjob trained supervisors headed by a professional, all working under a regular control of the Company's Chief Executive / Technical Director Mr. Khawar Anwar Khawaja who did his B.E. from the University of Engineering and Technology, Lahore.

CORPORATE PROFILE

The company which was incorporated as a private limited went public in April 1986 and was listed on Karachi and Lahore Stock Exchanges in January 1987. The issue was very well received by public and was over-subscribed by 200 times, a record response by public. Since then, the share of the company has a very strong demand which is well supported by the fact that its 10 rupees shares has touched a 450 rupees price and is being quoted at rupees 38.50 at present.

At the same time, a plan for diversification in financial and economic activities is also underway, and as a result thereof, the Company co-sponsored a leasing company named GRAYS LEASING LIMITED, listed on Karachi and Lahore Stock Exchanges with an equity capital of 100 million Rupees which was also over subscribed even under the prevailing crunch in the investment market.

The financial performance of the company is also revealed by a simple statistic that the shareholders' equity was 225 thousand rupees in 1965 and 186 million rupees in 2011 in spite of high payouts.

YEAR	CASH DIVIDEND	BONUS SHARES
2001	200 Percent	-
2002	110 Percent	-
2003	150 Percent	-
2004	200 Percent	-
2005	150 Percent	-
2006	175 Percent	-
2007	175 Percent	-
2008	100 Percent	-
2009	25 Percent	350 Percent
2010	25 Percent	-
2011	10 Percent	-

The Company has been declared as one of the Top 25 Companies by the Karachi Stock Exchange for eight consecutive years from 1989 to 1996. For the years 1997 and 1998, company was not ranked among Top 25 Companies just for lack of some membership criteria. For 1999 to 2002 it has again been ranked among the Top 25 Companies.

GRAYS PAKISTAN, under the chairmanship of Mr. Neil Gray and Chief Executive Officer, Mr. Khawar Anwar Khawaja, has pledged itself to very strong commitment to realism and honesty with its principals which legislates for the benefits of the public and not least of the sports and sportsmen.

DIRECTORS' REPORT

It gives me great pleasure to present you the Annual Report for the year ended 30 June 2011 of the Grays of Cambridge (Pakistan) Limited along with the audited financial statements and the Auditors' Report thereon. The statement of compliance with best practices of Code of Corporate Governance and the Auditors' Report thereon are also given for your perusal.

NATIONAL ECONOMY

The financial year 2011 remained challenging for the Pakistan economy. The Gross Domestic Product (GDP) growth for 2010-11 is estimated to remain at around 2.4% compared to the target of 4.5%. The setback is attributable to the agriculture sector which was badly affected by floods. Large scale manufacturing remained victim of power outages and lower domestic demand. The domestic environment is still affected by the intensification of war on terror and volatile security situation while external environment is affected by uncertainties surrounding external inflows and oil prices.

PERFORMANCE REVIEW

During the year under review the over all sales volume increased by 8.44% as compared with the previous year. This increase can be attributed to the management's efforts for expansion of product range and also the search for new markets.

We kept on making efforts for gaining sizeable share in the composite sticks market and to make it possible we kept our focus on research and development which resulted in very good feedback from the customers and international players.

Company's overheads remained under pressure as a result of high inflation as well as rupee devaluation. Frequent increases in electricity tariffs and power outages added substantially to our costs during the year. Furthermore, due to unstable law and order situation in the country, security cost as well as insurance cost, have increased.

In order to increase our market share in an increasingly competitive environment, the Company has continued to invest heavily in its brands and their distribution. Consequently distribution and sales promotion costs during the current year under review are 4.66% higher than last year. We believe that in the coming years, the Company will need to increase investment in distribution and promotion to withstand challenges surrounding the business environment.

The company has continued to focus on reassessing the changing needs of its customers and investing in product quality and innovation. These changes along with inherent strength of its diverse portfolio, have helped the Company to attain its overall growth objective.

Keeping in view the present market situation your directors express their satisfaction over the progress and show determination for gaining the position of one of the top supplier of sports goods in the world.

The financial results in a summarized form are given hereunder:

	Rupees 2011	Rupees 2010
Profit / (loss) for the year after providing for administration, marketing and financial charges	1,279,172	(21,594,164)
Less : Workers' profit participation fund	(834,864)	(1,117,515)
Workers' welfare fund	-	(136,766)
Donations	(398,308)	(49,491)
	(1,233,172)	(1,303,772)
Profit / (loss) before taxation	46,000	(22,897,936)
Less : Provision for taxation		
-Current	(2,496,550)	(1,596,507)
-Share of tax of associate	(619,304)	6,233,867
	(3,115,854)	4,637,360
Loss after taxation	(3,069,854)	(18,260,576)
Loss per share	(0.42)	(2.48)

FUTURE OUTLOOK

Your company has successfully developed a range of composite sticks and hopefully the sales will grow in this area in the years to come due to which we hope to increase our profitability. We are also further increasing our production capacity of composite sticks with induction of state of the art machinery, increase of skilled labour and work space in the next year.

DIVIDEND

Despite of this tough situation and financial crunch as a continuation of Company's policy towards dividends, the directors have recommended Ten percent (10%) cash dividend for the year.

GRAYS LEASING LIMITED

Grays of Cambridge (Pakistan) Limited holds 37.21 percent of the paid up capital of Grays Leasing Limited. The shareholders' equity of this company as on 30 June 2011 is rupees 75.433 million as compared with rupees 101.581 million on 30 June 2010.

CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Regulations, relevant for the year ended 30 June 2011 have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the report.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has adopted the statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

MEETINGS OF BOARD OF DIRECTORS

During the year, four meetings of the board were held. Attendance of each director is as under:

Name of director	Attended
Mr. Neil Douglas James Gray	-
Mr. Sarfraz Mahmood (Alternate to Mr. Neil Douglas James Gray)	4
Mr. Khawar Anwar Khawaja	4
Mr. Khurram Anwar Khawaja	4
Mr. Muhammad Tahir Butt	4
Mr. Nicholas John Gray	-
Mr. Paul Douglas Gray	-
Mr. Ameer Khawar Khawaja	4

Leaves of absence were granted to the Directors who could not attend the Board Meetings.

CORPORATE & FINANCIAL REPORTING FRAME WORK

In compliance with the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Framework:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practice of corporate governance as detailed in the listing regulation of the stock exchanges.

INTERNAL CONTROLS

The company has implemented a computer-based management information system. We have also made significant progress in the development of in-house programs and implementation of new software and its applications which provide a centralized database, support integration between the manufacturing and financial systems, and assist the Company in providing meaningful data in time for management decision making. This system is being continuously reviewed by internal and statutory auditors; hence it works as a strong internal control over Company operations in all spheres of corporate and financial management.

PERSONNEL & WORKING ENVIRONMENT

Your Company is well aware of the importance of a team of skilled workers and staff. Therefore, in-house programs designed for this purpose are regularly undertaken. Fresh apprentices are trained through on-job practical working methods. At the same time, other important areas like health, safety and better working environment are also being looked after very well.

The Company also affords opportunity to its employees to attend workshops and training seminars arranged by various management training institutions.

RETIREMENT BENEFITS

The Company operates a funded contributory provident fund scheme for its employees. Value of investment based on respective un-audited accounts is Rs. 9.145 million (2010 : Rs. 8.910 million).

AUDITORS

The present auditors Messrs Tabussum Saleem & Company, Chartered Accountants, retire, and being eligible, have offered themselves for re-appointment. The Audit Committee has also recommended their re-appointment.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data for the last decade is given in a summarized form hereafter this report.

PATTERN OF SHAREHOLDING

A statement of the pattern of shareholding of certain class of shareholders as at 30 June 2011, whose disclosure is required under the reporting framework, is included in the report.

The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the Company during the year except following:

Mr. Khawar Anwar Khawaja (Chief Executive)
Purchase of 9,841 ordinary shares from Sahar Ashraf on 09-10-2010 and transmission of 105,745 ordinary shares from Mrs. Amina Anwar Khawaja (mother).

Mr. Khurram Anwar Khawaja (Director)
Purchase of 9,841 ordinary shares from Mr. Abdul Mansoor Khokhar on 09-10-2010 and transmission of 105,745 ordinary shares from Mrs. Amina Anwar Khawaja (mother).

Mrs. Farough Tahir Butt (Spouse of Director)
Transmission of 52,873 ordinary shares from Mrs. Amina Anwar Khawaja (mother).

APPRECIATION

Before conclusion, I, on behalf of the board of directors, wish to place on record my very special thanks to all whose contributions helped us to achieve this performance.

ON BEHALF OF THE BOARD OF DIRECTORS

Sialkot: 20 September 2011

Khawar Anwar Khawaja
Chief Executive

DECADE AT A GLANCE

(Rupees in '000)

		June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
INCOME											
Sales and revenues		180,742	137,195	107,950	137,751	142,783	136,774	117,987	126,870	120,437	142,228
Cost of sales		131,991	111,655	80,398	89,735	84,189	73,807	61,145	56,459	57,109	65,853
Operating & other costs		48,705	48,438	35,749	37,128	35,328	33,848	31,222	29,628	26,238	27,937
Taxes on income		3,116	(4,637)	(4,984)	2,770	5,693	8,386	7,539	(12,656)	4,197	5,954
(Loss)/profit after taxation		(3,070)	(18,261)	(3,213)	8,117	17,572	20,732	18,081	53,439	32,893	42,484
FINANCIAL POSITION											
Current assets		144,705	141,546	124,191	121,344	157,246	166,638	168,235	191,900	170,219	169,692
Less: Current liabilities		26,303	20,205	18,940	19,683	21,371	17,603	14,262	13,734	42,323	39,261
Net working capital		118,402	121,341	105,251	101,660	135,876	149,035	153,973	178,166	127,896	130,431
Fixed assets and long term deposits		68,008	86,545	117,943	146,627	132,757	130,653	129,380	132,582	121,712	110,782
Shareholders' equity		186,410	201,181	223,194	248,287	268,632	279,688	283,353	310,748	249,608	241,213
STATISTICS AND RATIOS											
Bonus shares	(percentage)	-	-	350.00	-	-	-	-	-	-	-
Dividend	"	10.00	25.00	25.00	100.00	175.00	175.00	150.00	200.00	150.00	110.00
Profit/(loss) on shareholders' equity	"	0.02	(11.38)	(3.67)	4.39	8.66	10.41	9.04	13.12	14.86	20.08
Profit/(loss) before tax to sales	"	0.02	(12.71)	(6.09)	7.86	17.91	24.38	25.48	41.97	40.12	39.95
Current ratio		5.5 :1	7.01 :1	6.56 :1	6.16 :1	7.36 :1	9.47 :1	11.8 :1	13.97:1	4.02 : 1	4.32 : 1

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of stock exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages the representation of non-executive directors on its Board of Directors. At present the Board includes four independent non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancies occurred in the Board of Directors of the company during the year ended 30 June 2011.

5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been framed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Sialkot: 20 September 2011

Khawar Anwar Khawaja
Chief Executive

Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Grays Of Cambridge (Pakistan) Limited, to comply with the Listing Regulation No. 37 of the Karachi, and Lahore Stock Exchanges (guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of Compliance reflects the status of the Company's compliance with the provisions of Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and the internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Boards' statement on internal control covers all risk and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-regulation (xiii) of Listing Regulation No. 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/-269 dated January 19, 2009 and Chapter XI of the Lahore Stock Exchange (Guarantee) Limited require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arms' length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of Approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2011.

TABUSSUM SALEEM & COMPANY
Chartered Accountants
Engagement Partner: Muhammad Aslam Tabussum
LAHORE: 20 September 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **M/S GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED** as at 30 June 2011 and related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a. In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

b. In our opinion;

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c. In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2011 and of the profit, its cash flows and the changes in equity for the year then ended; and

d. In our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

TABUSSUM SALEEM & COMPANY
Chartered Accountants
Engagement Partner: Muhammad Aslam Tabussum

Lahore: 20 September 2011

BALANCE SHEET AS AT 30 JUNE 2011

	NOTE	2011 Rupees	Restated 2010 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10,000,000 (2010 : 10,000,000) ordinary shares of Rupees 10 each		100,000,000	100,000,000
Issued, subscribed and paid up share capital	3	73,493,410	73,493,410
Reserves		112,916,776	127,687,265
Total equity		186,410,186	201,180,675
Surplus on revaluation of buildings of associated company		-	6,705,860
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	4	23,812,957	17,808,590
Provision for taxation		2,490,238	2,396,466
Total liabilities		26,303,195	20,205,056
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		212,713,381	228,091,591

The annexed notes form an integral part of these financial statements.

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

	NOTE	2011 Rupees	Restated 2010 Rupees
A S S E T S			
NON-CURRENT ASSETS			
Property, plant and equipment	6	37,269,351	37,329,736
Long term investments	7	28,183,889	44,652,752
Long term placement	8	2,000,000	4,000,000
Long term deposits		554,785	562,785
		68,008,025	86,545,273
CURRENT ASSETS			
Stores and spares	9	1,774,167	1,017,595
Stock in trade	10	90,143,639	79,386,117
Trade debts	11	23,150,361	29,324,716
Current portion of long term placement		2,000,000	2,000,000
Advances	12	16,765,058	17,006,572
Trade deposits and short term prepayments	13	314,303	328,695
Other receivables	14	5,191,178	4,241,441
Cash and bank balances	15	5,366,650	8,241,182
		144,705,356	141,546,318
TOTAL ASSETS		212,713,381	228,091,591

MUHAMMAD TAHIR BUTT
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 Rupees	2010 Rupees
SALES	16	195,409,482	180,193,988
COST OF SALES	17	(131,991,183)	(111,654,786)
GROSS PROFIT		63,418,299	68,539,202
DISTRIBUTION COST	18	(23,992,787)	(22,925,327)
ADMINISTRATIVE EXPENSES	19	(19,507,331)	(19,135,767)
OTHER OPERATING EXPENSES	20	(4,605,353)	(5,679,261)
		(48,105,471)	(47,740,355)
		15,312,828	20,798,847
OTHER OPERATING INCOME	21	1,149,077	994,506
PROFIT FROM OPERATIONS		16,461,905	21,793,353
FINANCE COST	22	(599,488)	(697,333)
		15,862,417	21,096,020
SHARE OF LOSS FROM ASSOCIATED COMPANY		(15,816,417)	(43,993,956)
PROFIT / (LOSS) BEFORE TAXATION		46,000	(22,897,936)
TAXATION			
-Current	23	(2,496,550)	(1,596,507)
-Share of tax of associated company		(619,304)	6,233,867
		(3,115,854)	4,637,360
LOSS AFTER TAXATION		(3,069,854)	(18,260,576)
LOSS PER SHARE - BASIC AND DILUTED	24	(0.42)	(2.48)

The annexed notes form an integral part of these financial statements.

KHAWAR ANWAR KHAWAJA	**MUHAMMAD TAHIR BUTT**
CHIEF EXECUTIVE	DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
LOSS AFTER TAXATION	(3,069,854)	(18,260,576)
OTHER COMPREHENSIVE LOSS		
Deficit arising on re-measurement of available for sale investment	(33,142)	(23,177)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(3,102,996)	(18,283,753)

The annexed notes form an integral part of these financial statements.

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

MUHAMMAD TAHIR BUTT
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25	19,718,984	5,847,874
Finance cost paid		(599,488)	(697,333)
Income tax paid		(3,019,095)	(1,260,322)
Net decrease in long term deposits		8,000	21,700
Net cash generated from operating activities		16,108,401	3,911,919
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(4,282,303)	(6,782,292)
Proceeds from disposal of property, plant and equipment		7,400	1,158,005
Net decrease in long term placement		2,000,000	2,500,000
Profit received on placement and deposit accounts		1,138,247	955,416
Dividend income		2,750	8,250
Net cash used in investing activities		(1,133,906)	(2,160,621)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(17,849,027)	(4,082,968)
Net cash used in financing activities		(17,849,027)	(4,082,968)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,874,532)	(2,331,670)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		8,241,182	10,572,852
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		5,366,650	8,241,182

The annexed notes form an integral part of these financial statements.

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

MUHAMMAD TAHIR BUTT
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	SHARE CAPITAL	RESERVES							TOTAL EQUITY
		CAPITAL			REVENUE			TOTAL RESERVES	
		Capital reserve	Fair value reserve	Sub total	General reserve	Accumulated loss	Sub total		
	--(Rupees)--								
Balance as at 30 June 2009	16,331,870	1,000,000	161,385	1,161,385	213,800,000	(8,098,803)	205,701,197	206,862,582	223,194,452
Final dividend for the year ended 30 June 2009	-	-		-	-	(4,082,968)	(4,082,968)	(4,082,968)	(4,082,968)
Transfer from general reserve	-	-	-	-	(4,082,968)	4,082,968	-	-	-
Bonus shares issued at the rate of 3.5 ordinary shares for every one ordinary share held	57,161,540	-	-	-	(57,161,540)	-	(57,161,540)	(57,161,540)	-
Share of Incremental depreciation on surplus on revaluation of buildings of associated company	-	-	-	-	-	352,944	352,944	352,944	352,944
Total comprehensive loss for the year	-	-	(23,177)	(23,177)	-	(18,260,576)	(18,260,576)	(18,283,753)	(18,283,753)
Balance as at 30 June 2010	73,493,410	1,000,000	138,208	1,138,208	152,555,492	(26,006,435)	126,549,057	127,687,265	201,180,675
Final dividend for the year ended 30 June 2010	-	-	-	-	-	(18,373,353)	(18,373,353)	(18,373,353)	(18,373,353)
Transfer from general reserve	-	-	-	-	(26,000,000)	26,000,000	-	-	-
Share of Incremental depreciation on surplus on revaluation of buildings of associated company	-	-	-	-	-	253,417	253,417	253,417	253,417
Share of surplus on revaluation of buildings disposed of during the year	-	-	-	-	-	6,452,443	6,452,443	6,452,443	6,452,443
Total comprehensive loss for the year	-	-	(33,142)	(33,142)	-	(3,069,854)	(3,069,854)	(3,102,996)	(3,102,996)
Balance as at 30 June 2011	73,493,410	1,000,000	105,066	1,105,066	126,555,492	(14,743,782)	111,811,710	112,916,776	186,410,186

The annexed notes form an integral part of these financial statements.

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

MUHAMMAD TAHIR BUTT
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. THE COMPANY AND ITS ACTIVITIES

Grays of Cambridge (Pakistan) Limited was incorporated in Pakistan on 02 June 1964 as a private Company limited by shares under the Companies Act, 1913 (Now Companies Ordinance, 1984) and converted into a public limited company on 17 April 1986. The Company's shares are quoted on the Karachi and Lahore Stock Exchanges. The registered office of the company is situated at Small Industries Estate, Sialkot. The Company is engaged in manufacturing and sale of hockey sticks, cricket ball and other quality sports goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistantly applied to all year presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decissions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Impairment of investment in an associated company

In making an estimate of recoverable amount of the Company's investment in associated company, the management considers future cash flows and an estimate of the terminal value of this investment.

d) Amendments to published approved standards that are effective in current year and are relevant to the company

The following amendments to published approved standards are mandatory for the company's accounting periods beginning on or after 01 July 2010:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment does not affect the results or net assets of the company as it is only concerned with presentation and disclosures.

IAS 7 (Amendment), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment does not affect the results or net assets of the company as it is only concerned with presentation and disclosures.

e) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the company

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2010 but are considered not to be relevant or do not have any significant impact on the company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published approved standards that are not yet effective but relevant to the company

Following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2011 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the company's accounting for its financial assets.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Company is in the process of evaluating the impacts of the aforesaid amendment on the company's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual period beginning on or after 01 January 2013). IFRS 12 applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. IFRS 12 requires an entity to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The management of the company is in the process of evaluating the impacts of the aforesaid standard on the company's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the company is in the process of evaluating the impacts of the aforesaid standard on the company's financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' that are considered relevant to the company's financial statements. These amendments are unlikely to have a significant impact on the company's financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the company

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefits

The company operates a funded contributory provident fund scheme for its employees. Equal monthly contributions are made both by the company and employees at the rate of 6.25 percent of the basic salary to the fund.

2.3 Taxation

Current

The company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax has been made in the financial statements accordingly. However tax on other income is based on taxable income at the current rates after considering the rebates and tax credits available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

However, provision for the deferred income tax is not considered necessary as the company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future.

2.4 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.5 Property, plant, equipment and depreciation

Owned

These are stated at cost less accumulated depreciation and any identified impairment loss except freehold land and capital work-in-progress which are stated at cost less any identified impairment loss. Cost of property, plant and equipment consists of historical cost and other directly attributable costs of bringing the assets to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the company and cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to income applying the reducing balance method so as to write off the cost / depreciable amount of property, plant and equipment over their expected useful lives. Depreciation on additions is charged from the day on which the assets are available for use and on deletions up to the day on which the assets are disposed off. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

An item of property plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying value of the asset) is included in the income statement in the year the asset is derecognized.

Previously, depreciation on computers was charged to profit and loss account at the rate of 40 %. However, during the year, the company's management carried out a comprehensive review of the pattern of consumption of economic benefits of all operating fixed assets. Further, residual values and useful lives of operating fixed assets have been reviewed as at 30 June 2011 and the depreciable amounts have been adjusted accordingly. Deprecation on computers is charged now to profit and loss account at the rate of 50 %. Such changes have been accounted for as changes in accounting estimates in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no changes in these accounting estimates, the loss after taxation for the year ended 30 June 2011 would have been higher by Rupees 0.141 million and carrying value of operating fixed assets as at that date would have been lower by the same amount.

Leased

Leasehold land is stated at cost less the amount amortized over the lease period in equal proportions.

2.6 Investments

The Company assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exist, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investment in associate, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

Equity investment in associated company

Investment in associate is valued using equity method in accordance with the IAS 28, "Investments in Associates".

Other investments

The other investments made by the company are classified for the purpose of measurement in to the following categories:

Held to maturity

Investments with fixed or determinable payments and fixed maturity are classified as held to maturity when the company has the positive intention and ability to hold to maturity. Investments intended to be held for undefined period are not included in this classification. Other long term investments that are intended to be held-to-maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Investments at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term.

Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

2.7 Inventories

Inventories, except for stock in transit and waste stock are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of raw material is based on moving average cost.

Cost of work-in-process and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon. Waste stock is valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make a sale.

2.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.9 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

2.10 Foreign currency transactions

These financial statements are presented in Pak Rupees, which is the company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.11 Financial instruments

Financial instruments carried on the balance sheet include investments, placements, deposits, trade debts, other receivables, cash and bank balances and trade and other payables . Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instruments. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instruments at fair value through profit or loss' which are initially measured at fair value.

The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item. Financial assets are derecognized when the company loses control of the contractual rights that comprise the financial assets. The company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and derecognition is charged to the profit and loss account currently.

Financial assets and liabilities are offset and the net amount is reported in the financial statements when the company has a legally enforceable right to offset and the company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at book value which approximates their fair value. For the purposes of the cash flow statement, cash equivalents comprise cash in hand, cash at banks and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.13 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.14 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers. Profit on deposits with banks is recognized on a time proportion basis taking into account the principal outstanding and rate of profit / interest applicable thereon. Dividend on equity investments is recognized as income when the company's right to receive such dividend has been established.

2.15 Dividend and other appropriations

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.16 Share Capital

Ordinary shares are classified as equity.

3 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2011	2010		2011	2010
Number of shares			Rupees	Rupees
204,700	204,700	Ordinary shares of Rupees 10 each fully paid up in cash	2,047,000	2,047,000
4,400	4,400	Ordinary shares of Rupees 10 each fully paid up for consideration other than cash	44,000	44,000
7,140,241	7,140,241	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	71,402,410	71,402,410
7,349,341	7,349,341		73,493,410	73,493,410

3.1 Grays of Cambridge (International) Limited, England and Anwar Khawaja Industries (Private) Limited, Sialkot, associated undertakings held 2,939,979 and 367,492 ordinary shares of Rupees 10 each (2010: 2,939,979 and 367,492 ordinary shares) respectively.

4. TRADE AND OTHER PAYABLES	NOTE	2011 Rupees	2010 Rupees
Trade creditors		4,834,628	3,143,647
Advances from customers		1,068,092	-
Due to directors		1,672,652	1,449,273
Commission payable		9,897,048	7,426,146
Payable to employees' provident fund trust		203,282	184,706
Unclaimed dividend		1,474,146	949,820
Workers' welfare fund		-	131,712
Workers' profit participation fund	4.1	833,854	1,115,090
Accrued liabilities		3,829,255	3,408,196
		23,812,957	17,808,590

5. CONTINGENCIES AND COMMITMENTS

	2011	2010
Commitments	Nil	Nil

Contingencies:

i) Post dated cheques issued to the Custom Authorities amounts to Rupees 6.913 million (2010 : Rupees 7.347 million).

ii) Bank guarantee given to the Custom Authorities amounts to Rupees 0.050 million (2010 : Nil).

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
Operating fixed assets	6.1	37,108,294	36,016,224
Capital work-in-progress	6.2	161,057	1,313,512
		37,269,351	37,329,736

6.1 OPERATING FIXED ASSETS

	Freehold Land	Leasehold Land	Factory Building on Freehold Land	Plant and Machinery	Office Equipment	Tools and Equipment	Electric Installations	Furniture and Fixtures	Vehicles	Computers	Security Arms	TOTAL
	Rupees											
As at 01 July 2009												
Cost	5,371,287	164,219	25,301,236	14,573,220	971,095	6,026,213	4,014,997	2,703,164	8,417,070	2,649,247	22,800	70,214,548
Accumulated depreciation	-	(27,369)	(14,618,645)	(7,044,256)	(607,690)	(2,323,961)	(2,977,761)	(1,342,684)	(3,004,018)	(2,268,630)	(17,882)	(34,232,896)
Net book value	5,371,287	136,850	10,682,591	7,528,964	363,405	3,702,252	1,037,236	1,360,480	5,413,052	380,617	4,918	35,981,652
Year ended 30 June 2010												
Opening net book value	5,371,287	136,850	10,682,591	7,528,964	363,405	3,702,252	1,037,236	1,360,480	5,413,052	380,617	4,918	35,981,652
Additions	-	-	-	1,880,019	1,200	1,402,385	318,950	198,421	1,079,380	588,425	-	5,468,780
Disposal												
Cost	-	-	-	(402,085)	-	-	-	-	(2,578,365)	(350,810)	-	(3,331,260)
Accumulated depreciation	-	-	-	233,269	-	-	-	-	1,623,325	347,501	-	2,204,095
	-	-	-	(168,816)	-	-	-	-	(955,040)	(3,309)	-	(1,127,165)
Depreciation charge	-	(2,488)	(1,068,259)	(852,146)	(36,418)	(429,801)	(436,192)	(143,461)	(1,131,459)	(206,327)	(492)	(4,307,043)
Closing net book value	5,371,287	134,362	9,614,332	8,388,021	328,187	4,674,836	919,994	1,415,440	4,405,933	759,406	4,426	36,016,224
As at 30 June 2010												
Cost	5,371,287	164,219	25,301,236	16,051,154	972,295	7,428,598	4,333,947	2,901,585	6,918,085	2,886,862	22,800	72,352,068
Accumulated depreciation	-	(29,857)	(15,686,904)	(7,663,133)	(644,108)	(2,753,762)	(3,413,953)	(1,486,145)	(2,512,152)	(2,127,456)	(18,374)	(36,335,844)
Net book value	5,371,287	134,362	9,614,332	8,388,021	328,187	4,674,836	919,994	1,415,440	4,405,933	759,406	4,426	36,016,224
Year ended 30 June 2011												
Opening net book value	5,371,287	134,362	9,614,332	8,388,021	328,187	4,674,836	919,994	1,415,440	4,405,933	759,406	4,426	36,016,224
Additions	-	-	152,680	2,245,394	-	851,375	71,984	89,000	1,869,900	154,425	-	5,434,758
Disposal												
Cost	-	-	-	-	-	-	-	-	-	(325,350)	-	(325,350)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	301,464	-	301,464
	-	-	-	-	-	-	-	-	-	(23,886)	-	(23,886)
Depreciation charge	-	(2,488)	(974,440)	(889,787)	(29,902)	(486,805)	(340,194)	(139,794)	(1,056,254)	(398,764)	(374)	(4,318,802)
Closing net book value	5,371,287	131,874	8,792,572	9,743,628	298,285	5,039,406	651,784	1,364,646	5,219,579	491,181	4,052	37,108,294
As at 30 June 2011												
Cost	5,371,287	164,219	25,453,916	18,296,548	972,295	8,279,973	4,405,931	2,990,585	8,787,985	2,715,937	22,800	77,461,476
Accumulated depreciation	-	(32,345)	(16,661,344)	(8,552,920)	(674,010)	(3,240,567)	(3,754,147)	(1,625,939)	(3,568,406)	(2,224,756)	(18,748)	(40,353,182)
Net book value	5,371,287	131,874	8,792,572	9,743,628	298,285	5,039,406	651,784	1,364,646	5,219,579	491,181	4,052	37,108,294
Annual rate of depreciation %	-	-	10	10	10	10	40	10	20	50	10	

6.1.1 The depreciation charged for the year has been allocated as follows:

	2011 Rupees	2010 Rupees
Cost of sales (Note 17)	2,900,256	2,905,693
Administrative expenses (Note 19)	1,418,546	1,401,350
	4,318,802	4,307,043

6.1.2 Detail of property, plant and equipment disposed of during the year:

	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS	LOSS	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
	Rupees						
Aggregate of items with individual book values not exceeding Rupees. 50,000.	325,350	301,464	23,886	7,400	(16,486)	Negotiation	Various

6.2 **CAPITAL WORK-IN-PROGRESS**

	NOTE	2011 Rupees	2010 Rupees
Plant and machinery		-	1,079,000
Tools and equipment		161,057	234,512
		161,057	1,313,512

7. **LONG TERM INVESTMENTS**

	NOTE	2011 Rupees	Restated 2010 Rupees
Under equity method	7.1	28,068,608	44,504,329
Available for sale	7.2	115,281	148,423
		28,183,889	44,652,752

7.1 **UNDER EQUITY METHOD**

GRAYS LEASING LIMITED - ASSOCIATED COMPANY
7,999,999 (2010 : 7,999,999) ordinary shares of Rupees 10
Equity held 37.21% (2010 : 37.21%)

	2011	2010
Share in net assets at the beginning of the year	44,504,329	82,264,418
Add: Share in loss before taxation	(15,816,417)	(43,993,956)
Share of surplus on revaluation of builiding disposed of during the year	6,452,443	-
Share of transfer from surplus on revaluation of buildings on account of incremental depreciation	253,417	352,944
Share in taxation	(619,304)	6,233,867
Share in change in surplus on revaluation of buildings	(6,705,860)	(352,944)
	(16,435,721)	(37,760,089)
Share in net assets at the end of the year	28,068,608	44,504,329

7.1.1 **Summarized financial information of associated company**

(Rupees in thousand)

Name of Associated Company	Audited/ Un-audited	Assets	Liabilities	Net assets	Revenue	(Loss)
2011						
Grays Leasing Limited	Audited	388,087	312,654	75,433	30,610	(44,170)
2010						
Grays Leasing Limited	Audited	674,222	554,619	119,603	66,420	(101,478)

7.1.2 Investments in associated company has been tested for impairment under IAS 36 'Impairment of Assets'. The financial statements of the investee company have not been prepared on going concern basis. Break up value per share of the investee company comes to Rupees 3.51 as on 30 June 2011 based on historical cost convention. Whereas, value per share is Rupees 7.05 on the basis of estimated realizable (settlement) values of assets and liabilities respectively of the investee company. The reason for difference in value per share calculated on the basis of two different accounting conventions is the fact that potential lease losses is recognized under historical cost convention on the basis of time based criteria prescribed by Securities and Exchange Commission of Pakistan. Whereas, under the other accounting convention, potential lease losses against finance lease receivables is made by the investee company based on estimated realizable value of the lease portfolio. Hence the management believes that the recoverable amount of investment in equity method accounted for associated company is higher than its carrying value and resultantly no impairment loss has been incorporated in these financial statements.

7.1.3 Previously, the share of surplus on revaluation of buildings of the investee company (accounted for under equity method) was not recognized as a part of investment. Now, the effect of share of surplus on revaluation of buildings has been taken in these financial statements. This prior period error has been corrected retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no correction of prior period error, the investment in associated company and share of surplus on revaluation of buildings would have been lower by Rupees 6,705,860 as at 30 June 2010.

7.2 **AVAILABLE FOR SALE**

	NOTE	2011 Rupees	2010 Rupees
SITARA CHEMICAL INDUSTRIES LIMITED			
1,155 (2010 : 1,100) ordinary shares of Rupees 10		10,215	10,215
Add: Fair value adjustment	7.2.1	105,066	138,208
		115,281	148,423

7.2.1 **FAIR VALUE ADJUSTMENT**

	2011	2010
Opening balance	138,208	161,385
Deficit on re-measurement of available for sale investment	(33,142)	(23,177)
	105,066	138,208

		NOTE	2011 Rupees	2010 Rupees
8.	**LONG TERM PLACEMENT**			
	KASB Bank Limited (Previously Network Leasing Corporation Limited)		4,000,000	6,000,000
	Less: Current portion shown under current assets		2,000,000	2,000,000
			2,000,000	4,000,000

8.1 It represents placement with KASB Bank Limited. Repayment is being made in 20 equal quarterly installments commenced from September 2008. It carries mark-up @ 1.50% (2010 : 1.50%) per annum.

		NOTE	2011 Rupees	2010 Rupees
9.	**STORES AND SPARES**			
	Stores		1,114,557	603,530
	Spares		659,610	414,065
			1,774,167	1,017,595
10.	**STOCK - IN- TRADE**			
	Raw materials		24,484,276	16,571,920
	Work-in-process		49,862,722	52,671,133
	Finished goods		15,796,641	10,143,064
			90,143,639	79,386,117

10.1 Stock in trade includes slow moving stock of Rupees 0.876 million (2010: Rupees 1.147 million) that is being carried at net realizable value.

		NOTE	2011 Rupees	2010 Rupees
11.	**TRADE DEBTS**			
	Considered good			
	Related Parties			
	Unsecured	11.1	14,346,059	20,560,058
	Others			
	Secured (against letter of credit)		-	2,867,360
	Unsecured		8,804,302	5,897,298
			8,804,302	8,764,658
			23,150,361	29,324,716
11.1	**RELATED PARTIES**			
	Gray Nicolls, England		11,210,950	14,243,584
	Gray Nicolls, Australia		3,135,109	6,316,474
			14,346,059	20,560,058

11.2 As at 30 June 2011, trade debts of Rupees 15,514,092 (2010 : Rupees 6,390,017) was past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

		NOTE	2011 Rupees	2010 Rupees
	Upto 1 month		14,737,072	4,598,541
	1 to 6 months		348,666	803,178
	More than 6 months		428,354	988,298
			15,514,092	6,390,017
12.	**ADVANCES**			
	Considered good			
	Employees		2,412,615	2,016,107
	Suppliers		7,120,206	8,242,833
	Advance income tax		7,232,237	6,747,632
			16,765,058	17,006,572
13.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Deposits		240,654	233,130
	Short term prepayments		73,649	95,565
			314,303	328,695

14. OTHER RECEIVABLES

	Note	2011 Rupees	2010 Rupees
Duty drawback receivable		1,895,568	500,762
Accrued interest		87,186	412
Insurance claim receivable		-	4,600
Excise duty		216,826	82,910
Sales tax refundable		2,991,598	3,652,757
		5,191,178	4,241,441

15. CASH AND BANK BALANCES

	Note	2011 Rupees	2010 Rupees
Cash in hand		686,481	556,630
Cash with banks:			
Current Accounts		1,824,070	1,265,545
Deposit Accounts	15.1	2,856,099	6,419,007
		4,680,169	7,684,552
		5,366,650	8,241,182

15.1 The balance in deposit accounts carry interest ranging from 5% to 10% per annum (2010: 5% to 11% per annum).

16. SALES

	Note	2011 Rupees	2010 Rupees
Export	16.1	182,645,144	170,641,180
Export rebates		3,229,066	1,662,786
Local - net of sales tax	16.2	9,535,272	7,890,022
		195,409,482	180,193,988

16.1 Export sales include Rupees 0.591 million (2010: Rupees 0.375 million) on account of exchange gain due to currency rate fluctuations relating to export sales.

16.2 Local sales are exclusive of sales tax amounting to Rupees 0.096 million (2010: Rupees 0.024 million).

17. COST OF SALES

	Note	2011 Rupees	2010 Rupees
Raw material consumed	17.1	86,160,465	75,981,481
Salaries, wages and other benefits	17.2	36,940,018	31,629,180
Store and spares consumed		757,399	615,046
Repair and maintenance		2,081,194	1,873,402
Fuel and power		4,514,825	4,369,422
Vehicles running		563,983	258,826
Insurance		712,125	669,072
Other factory overheads		206,084	404,921
Depreciation	6.1.1	2,900,256	2,905,693
		134,836,349	118,707,043
Work - in- process			
Opening stock		52,671,133	44,977,602
Closing stock		(49,862,722)	(52,671,133)
		2,808,411	(7,693,531)
Cost of goods manufactured		137,644,760	111,013,512
Finished goods			
Opening stock		10,143,064	10,784,338
Closing stock		(15,796,641)	(10,143,064)
		(5,653,577)	641,274
		131,991,183	111,654,786

17.1 RAW MATERIAL CONSUMED

	2011 Rupees	2010 Rupees
Opening stock	16,571,920	15,748,503
Purchases during the year	94,072,821	76,804,898
	110,644,741	92,553,401
Closing stock	(24,484,276)	(16,571,920)
	86,160,465	75,981,481

17.2 SALARIES, WAGES AND OTHER BENEFITS

This includes employer's contribution towards provident fund and bonus of Rupees 0.428 million (2010:Rupees 0.488 million) and Rupees 2.090 million (2010:Rupees 2.220 million) respectively.

		NOTE	2011 Rupees	2010 Rupees
18.	**DISTRIBUTION COST**			
	Salaries and other benefits	18.1	870,781	787,791
	Electricity and gas		128,995	124,841
	Vehicles running		102,203	72,600
	Commission to selling agents		15,132,882	14,488,021
	Free samples		888,254	881,295
	Export development surcharge		471,794	406,102
	Advertisement and publicity		225,000	633,494
	Clearing and forwarding		6,172,878	5,531,183
			23,992,787	22,925,327

18.1 SALARIES AND OTHER BENEFITS

This includes employer's contribution towards provident fund and bonus of Rupees 0.027 million (2010 : Rupees 0.025 million) and Rupees 0.107 million (2010 : Rupees 0.133 million) respectively.

		NOTE	2011 Rupees	2010 Rupees
19.	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	19.1	11,140,261	10,241,329
	Traveling and conveyance		1,360,576	1,484,425
	Vehicles running		1,597,558	1,854,348
	Electricity and gas		515,980	499,363
	Postage, telephone and telex		665,821	592,440
	Legal and professional		591,120	524,610
	Printing and stationery		436,831	283,515
	Boarding, lodging and entertainment		386,194	188,465
	Fee and subscription		556,498	1,075,995
	Books and periodicals		15,561	13,708
	Computer expenses		243,172	398,041
	Repairs and maintenance		138,427	161,238
	Insurance		286,362	281,772
	Miscellaneous		154,424	135,168
	Depreciation	6.1.1	1,418,546	1,401,350
			19,507,331	19,135,767

19.1 SALARIES AND OTHER BENEFITS

This includes employer's contribution towards provident fund and bonus of Rupees 0.274 million (2010 : Rupees 0.212 million) and Rupees 1.169 million (2010 : Rupees 1.055 million) respectively.

		NOTE	2011 Rupees	2010 Rupees
20.	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	20.1	290,000	315,000
	Research and development		2,320,024	3,896,384
	Workers' profit participation fund	4.1	834,864	1,117,515
	Workers' welfare fund		-	136,766
	Bad debts written off		745,671	29,916
	Loss on disposal of property, plant and equipment	6.1.2	16,486	-
	Exchange loss		-	134,189
	Donations	20.2	398,308	49,491
			4,605,353	5,679,261

	NOTE	2011 Rupees	2010 Rupees

20.1 AUDITORS' REMUNERATION

		2011	2010
Audit fee		250,000	250,000
Certification including half yearly review		30,000	55,000
Out of pocket expenses		10,000	10,000
		290,000	315,000

20.2 None of the directors and their spouses had any interest in the donees fund.

21. OTHER OPERATING INCOME

		2011	2010
Income from financial assets:			
Profit on placement and deposit accounts		1,138,247	955,416
Dividend income		2,750	8,250
Exchange gain		8,080	-
		1,149,077	963,666
Income from non- financial assets:			
Gain on disposal of property, plant and equipment		-	30,840
		1,149,077	994,506

22. FINANCE COST

		2011	2010
Bank charges and commission		599,488	697,333

23. TAXATION

		2011	2010
Current		2,496,550	2,071,311
Prior year adjustment		-	(474,804)
		2,496,550	1,596,507

23.1 The company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly.

23.2 Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is impracticable in view of presumptive taxation.

24. LOSS PER SHARE - BASIC AND DILUTED

		2011	2010
Loss after taxation attributable to ordinary shareholders	Rupees	(3,069,854)	(18,260,576)
Weighted average number of ordinary shares	Number	7,349,341	7,349,341
Loss per share	Rupees	(0.42)	(2.48)

No figure for diluted loss per share has been presented as the Company has not issued any instrument carrying options which would have an impact on the basic loss per share, when exercised.

	NOTE	2011 Rupees	2010 Rupees
25. CASH GENERATED FROM OPERATIONS			
Profit / (loss) before taxation		46,000	(22,897,936)
Adjustments for:			
Depreciation on property, plant and equipment		4,318,802	4,307,043
Profit on placement and deposit accounts		(1,138,247)	(955,416)
Dividend income		(2,750)	(8,250)
Share of loss of associated company		15,816,417	43,993,956
Loss / (gain) on disposal of property, plant and equipment		16,486	(30,840)
Finance cost		599,488	697,333
Working capital changes	25.1	62,788	(19,258,016)
		19,672,984	28,745,810
		19,718,984	5,847,874

25.1 WORKING CAPITAL CHANGES

	2011	2010
Decrease / (increase) in current assets		
Stores and spares	(756,572)	(39,647)
Stock in trade	(10,757,522)	(7,875,674)
Trade debts	6,174,355	(6,737,517)
Advances	726,119	(7,822,182)
Trade deposits and short term prepayments	14,392	1,254,682
Other receivables	(949,737)	1,033,272
Increase in current liabilities		
Trade and other payables	5,611,753	929,050
	62,788	(19,258,016)

26. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive and directors is as follows:

	Chief Executive		Directors	
	2011	2010	2011	2010
	Rupees		Rupees	
Managerial remuneration	1,656,000	1,656,000	1,172,414	813,793
Allowances :				
Housing	744,000	744,000	552,586	386,207
Bonus	400,000	400,000	300,000	250,000
Provident fund	102,010	77,589	73,276	45,259
Utilities	1,077,886	1,061,980	-	-
Income tax	848,914	793,775	127,146	153,100
	4,828,810	4,733,344	2,225,422	1,648,359
Number of persons	1	1	2	2

26.1 Chief Executive and one director have been provided with the Company maintained vehicles.

26.2 No meeting fees were paid to directors during the year under reference.

27. TRANSACTIONS WITH RELATED PARTIES

Transactions and contracts with the related parties are carried out at arm's length prices determined in accordance with comparable uncontrolled price method except in circumstances where it is in the interest of the Company to do so with prior approval of the board of directors.

The related parties comprise associated companies, key management personnel and staff retirement fund. Detail of transactions with the related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2011	2010
	(Rupees in Million)	
Associates		
Sale of goods	83.303	94.726
Purchases of goods	-	0.613
Others related party		
Contribution to provident fund	0.828	0.729

28. FINANCIAL RISK MANAGEMENT

28.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Great Britain Pound (GBP) and Canadian Dollar (CAD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2011	2010
Trade debts - USD	260,362	320,212
Trade debts - GBP	1,370	9,498
Trade debts - CAD	4,000	8,261
Trade and other payable - USD	82,948	74,722
Trade and other payable - GBP	13,552	8,050
Net exposure - USD	177,414	245,490
Net exposure - GBP	(12,182)	1,448
Net exposure - CAD	4,000	8,261

The following significant exchange rates were applied during the year:

	2011	2010
Rupees per US Dollar		
Average rate	85.46	83.58
Reporting date rate	85.90	85.30
Rupees per GBP		
Average rate	136.12	132.75
Reporting date rate	138.36	128.55
Rupees per CAD		
Average rate	85.53	79.33
Reporting date rate	88.73	81.01

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, GBP and CAD with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 0.649 million (2010: Rupees 0.999 million) respectively lower / higher , mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's loss after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on loss after taxation		Statement of other comprehensive income (fair value reserve)	
	2011	2010	2011	2010
	(Rupees)			
KSE 100 (5% increase)	-	-	5,764	7,421
KSE 100 (5% decrease)	-	-	5,764	7,421

Equity (fair value reserve) would increase / decrease as a result of gain / loss on equity investment classified as available for sale.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is ungeared. The company's interest rate risk arises from bank balances in deposit accounts and placemnent with a bank. Financial instruments at variable rates expose the company to cash flow interest rate risk. Financial instruments at fixed rate expose the company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2011 Rupees	2010 Rupees
Fixed rate instruments		
Financial assets		
Long term placement	4,000,000	6,000,000
Floating rate instruments		
Financial assets		
Bank balances- saving accounts	2,856,099	6,419,007

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 0.017 million (2010: Rupees 0.037 million) lower / higher, mainly as a result of higher / lower interest income on floating rate bank deposits. This analysis is prepared assuming the amount of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2011 Rupees	2010 Rupees
Investment	115,281	148,423
Placement	4,000,000	6,000,000
Deposits	795,439	795,915
Trade debts	23,150,361	29,324,716
Advances	2,412,615	2,016,107
Other receivables	87,186	5,012
Bank balances	4,680,169	7,684,552
	35,241,051	45,974,725

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2011	2010
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	299,532	222,876
Bank Alfalah Limited	A1+	AA	PACRA	30,968	18,549
Habib Bank Limited	A-1+	AA+	JCR-VIS	807,899	2,079,049
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	2,864,193	5,340,089
The Bank of Punjab	A1+	AA -	PACRA	468,741	4,510
Faysal Bank Limited	A1+	AA	PACRA	183,014	880
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	25,822	18,599
				4,680,169	7,684,552
Investments					
Sitara Chemical Industries Limited	A-1	A+	JCR-VIS	115,281	148,423
Long term placement					
KASB Bank Limited	A2	A -	PACRA	4,000,000	6,000,000
				8,795,450	13,832,975

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 11.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by maintaining sufficient cash. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. Following are the contractual maturities of financial liabilities. The amounts disclosed in the table are undiscounted cash flows.

Contractual maturities of financial liabilities as at 30 June 2011

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	---------- (Rupees) ----------					
Non-derivative financial liabilities:						
Trade and other payables	21,911,011	21,911,011	21,911,011	-	-	-

Contractual maturities of financial liabilities as at 30 June 2010

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	---------- (Rupees) ----------					
Non-derivative financial liabilities:						
Trade and other payables	16,561,788	16,561,788	16,561,788	-	-	-

28.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	---------- (Rupees) ----------			
As at 30 June 2011				
Assets				
Available for sale financial assets	115,281	-	-	115,281
As at 30 June 2010				
Assets				
Available for sale financial assets	148,423	-	-	148,423

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as at 30 June 2011.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3.The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The Company has no such type of financial instruments.

28.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	Rupees	Rupees	Rupees
As at 30 June 2011			
Assets as per balance sheet			
Investments	-	115,281	115,281
Placements	4,000,000	-	4,000,000
Deposits	795,439	-	795,439
Trade debts	23,150,361	-	23,150,361
Advances	2,412,615	-	2,412,615
Other receivables	87,186	-	87,186
Cash and bank balances	5,366,650	-	5,366,650
	35,812,251	115,281	35,927,532

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Trade and other payables	21,911,011

	Loans and receivables	Available for sale	Total
	Rupees	Rupees	Rupees
As at 30 June 2010			
Assets as per balance sheet			
Investments	-	148,423	148,423
Placements	6,000,000	-	6,000,000
Deposits	795,915	-	795,915
Trade debts	29,324,716	-	29,324,716
Advances	2,016,107	-	2,016,107
Other receivables	5,012	-	5,012
Cash and bank balances	8,241,182	-	8,241,182
	46,382,932	148,423	46,531,355

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Trade and other payables	16,561,788

28.4 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to be safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

29 PLANT CAPACITY AND ACTUAL PRODUCTION

As the company is engaged in manufacturing of man made sports goods and its production is dependent upon the efficiency of the person engaged, hence the capacity of the unit could not be determined.

30 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 20 September 2011 by the Board of Directors of the company.

31 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on 20 September 2011 has recommended final cash dividend @ 10% (2010: 25%) for approval of the members in the Annual General Meeting to be held on 14 October 2011. However this event has been considered as non-adjusting event under IAS 10 'Event after the Reporting Period' and have not been recognized in these financial statements.

32 CORRESPONDING FIGURES

Corresponding figures have been rearranged wherever necessary for the purpose of comparison. However, no significant rearrangements have been made.

KHAWAR ANWAR KHAWAJA	**MUHAMMAD TAHIR BUTT**
CHIEF EXECUTIVE	DIRECTOR

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2011

Number of Shareholders	Shareholding From	Shareholding To	Total Shares held
452	1	100	6,168
100	101	500	32,508
92	501	1,000	79,587
85	1,001	5,000	224,563
12	5,001	10,000	96,734
3	10,001	15,000	37,946
4	15,001	20,000	70,622
4	20,001	25,000	89,681
1	30,001	35,000	30,073
1	40,001	45,000	44,293
2	50,001	55,000	102,184
1	65,001	70,000	67,598
2	70,001	75,000	147,708
1	90,001	95,000	94,243
2	100,001	105,000	204,232
1	160,001	165,000	160,985
1	225,001	230,000	225,072
1	295,001	300,000	296,424
1	315,001	320,000	315,909
1	365,001	370,000	367,492
2	865,001	870,000	1,732,344
1	2,920,001	2,925,000	2,922,975
770			**7,349,341**

Categories of Shareholders	Numbers	Share held		Percentage	
Associated Companies, Undertaking and related parties	**2**		**3,290,467**		**44.77**
Grays of Cambridge (Int) Ltd., England		2,922,975		39.77	
Anwar Khawaja Industries (Pvt.) Limited		367,492		5.00	
NIT	**2**		**324,044**		**4.41**
National Investment Trust Limited		8,135		0.11	
NBP - Trustee Department NI(U)T Fund		315,909		4.30	
Directors, CEO and their spouse and minor children	**10**		**1,907,849**		**25.96**
Mr. Khurram Anwar Khawaja (Director)		867,297		11.80	
Mr. Muhammad Tahir Butt (Director)		9,841		0.13	
Mr. Ameer Khawar Khawaja (Director)		2,250		0.03	
Mr. Paul Douglas Gray (Director)		4,918		0.07	
Mr. Nicholas John Gray (Director)		2,250		0.03	
Mr. Neil Douglas James Gray (Director)		4,918		0.07	
Mr. Khawar Anwar Khawaja (CEO)		865,047		11.77	
Mrs. Nuzhat Khawar Khawaja (w/o Mr. Khawar Anwar Khawaja)		24,606		0.33	
Mrs. Khadeeja Khurram Khawaja (w/o Mr. Khurram Anwar Khawaja)		24,606		0.33	
Mrs. Farough Tahir Butt (w/o Mr. Muhammad Tahir Butt)		102,116		1.39	
Executive	-		-		-
Public Sector Companies and Corporations	**10**		16,854		**0.23**
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, modarbas and mutual funds	**5**		**310,346**		**4.22**
Shareholders holding ten percent or more voting interest in the company	-		-		-
Others	**741**		**1,499,781**	-	**20.41**
TOTAL	**770**		**7,349,341**		**100.00**

GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED
48TH ANNUAL GENERAL MEETING
Proxy Form

I / We, ____ of ____

being the member of **Grays of Cambridge (Pakistan) Limited** hereby appoint Mr./Mrs./Miss. ___________________________________

who is a member of the company vide Registered Folio / CDC Participant ID.No.___________________________________ or failing whom

Mr./Mrs./Miss. ___________________________________ who is also a member of the company vide Registered Folio / CDC Participant

ID.No.______________________________ as my / our proxy to attend and vote for me and on my behalf at the 48th annual general meeting of the company to be held on Friday 14 October 2011 at 11:30 A.M and / or at any adjournment thereof.

Folio No	CDC account Number		Number of shares held
	Participants I.D.	Account No.	

(Signature on Rupees Five Revenue Stamp)

(Signature should agree with the specimen signature registered with the company)

WITNESSES:

i. Signature ___________________________________
Name ___________________________________
Address ___________________________________
____

CNIC | | | | | | - | | | | | | | | - | |

or passport No. ___________________________________

Date: ____________________

ii. Signature ___________________________________
Name ___________________________________
Address ___________________________________
____

CNIC | | | | | | - | | | | | | | | - | |

or passport No. ___________________________________

Date: ____________________

NOTES

I. The proxy form must be signed across Rupees Five revenue stamp and it should be deposited in the company's registered office not less than 48 hours before the time of holding the meeting.
II. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.
III. A member entitled to attend may appoint another member as his / her proxy or may by power of attorney authorize any other person as his / her agent to attend, speak and vote at the meeting. A corporation or a company, as the case may be, being a member of the company, may appoint any of its officials or any other person to act as its representative and the person so authorized shall be entitled to the same powers as if he were an individual share holder.

For CDC account holders / corporate entities:

In addition to the above the following requirements have to be met:

I. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC or Passport numbers shall be mentioned on the Form.
II. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
III. The proxy shall produce his original CNIC or original passport at the time of the meeting.
IV. In case of corporate entity, the board of directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the company.